

CHAPTER 156

TAXATION

HOUSE BILL 20-1022

BY REPRESENTATIVE(S) Kraft-Tharp and Van Winkle, Arndt, Bird, Bockenfeld, Champion, Cutter, Esgar, Exum, Hooton, Humphrey, Kennedy, Kipp, Landgraf, McKean, Michaelson Jenet, Mullica, Sandridge, Snyder, Titone, Froelich, Valdez A., Valdez D., Becker;
also SENATOR(S) Williams A. and Tate, Bridges, Cooke, Crowder, Danielson, Donovan, Fields, Ginal, Gonzales, Holbert, Pettersen, Priola, Rankin, Smallwood, Todd, Zenzinger.

AN ACT

CONCERNING THE SALES AND USE TAX SIMPLIFICATION TASK FORCE, AND, IN CONNECTION THEREWITH, EXTENDING THE TASK FORCE, MODIFYING THE TASK FORCE'S DUTIES, AND REMOVING THE REQUIREMENT THAT THE TASK FORCE UNDERGO AN EVALUATION BY THE DEPARTMENT OF REGULATORY AGENCIES PRIOR TO THE TASK FORCE'S REPEAL.

Be it enacted by the General Assembly of the State of Colorado:

SECTION 1. In Colorado Revised Statutes, 39-26-802, **amend** (1)(a), (3), and (5); **repeal and reenact, with amendments**, (1)(b); and **add** (2.5) as follows:

39-26-802. Sales and use tax simplification task force - creation - definition. (1) (a) (I) Notwithstanding section 2-3-303.3, there is created the sales and use tax simplification task force, referred to in this part 8 as the "task force". ~~which~~ THE TASK FORCE shall meet as necessary during any legislative session or any interim between legislative sessions to study the necessary components of a simplified sales and use tax system for both the state and local governments, including home rule municipalities and counties.

(II) (A) NOTWITHSTANDING SUBSECTION (1)(a)(I) OF THIS SECTION, THE TASK FORCE SHALL NOT MEET DURING THE 2020 INTERIM.

(B) THIS SUBSECTION (1)(a)(II) IS REPEALED, EFFECTIVE JULY 1, 2021.

(b) (I) THE TASK FORCE SHALL STUDY SALES AND USE TAX SIMPLIFICATION BETWEEN THE STATE AND LOCAL GOVERNMENTS, INCLUDING HOME RULE MUNICIPALITIES, TO IDENTIFY OPPORTUNITIES AND CHALLENGES WITHIN EXISTING

Capital letters or bold & italic numbers indicate new material added to existing law; dashes through words or numbers indicate deletions from existing law and such material is not part of the act.

FISCAL FRAMEWORKS TO ADOPT "FEASIBLE SOLUTIONS", WHICH ARE SOLUTIONS THAT ARE PRACTICAL, REVENUE-NEUTRAL, AND DO NOT REQUIRE CONSTITUTIONAL AMENDMENTS OR VOTER APPROVAL.

(II) THE TASK FORCE SHALL CONSIDER WHETHER THERE ARE FEASIBLE SOLUTIONS FOR:

(A) MAKING AUDITS OF RETAILERS MORE UNIFORM FOR ALL STATE AND LOCAL TAXING JURISDICTIONS IN THE STATE;

(B) THE UTILIZATION OF A SINGLE SALES AND USE TAX RETURN FOR STATE AND LOCAL TAXING JURISDICTIONS AS A PART OF THE SALES AND USE TAX SIMPLIFICATION SYSTEM DESCRIBED IN SENATE BILL 19-006, ENACTED IN 2019;

(C) STREAMLINING THE REQUIREMENTS FOR STATE AND LOCAL SALES TAX LICENSES, USE TAX LICENSES, AND BUSINESS LICENSES USED FOR PURPOSES OF COLLECTING SALES AND USE TAXES;

(D) MAKING UNIFORM AND POSSIBLY INCREASING THE FILING THRESHOLD AMOUNT FOR MONTHLY SALES TAX FILINGS BETWEEN THE STATE AND LOCAL GOVERNMENTS, INCLUDING HOME RULE MUNICIPALITIES;

(E) SIMPLIFYING USE TAXES LEVIED BY THE STATE AND LOCAL GOVERNMENTS, INCLUDING HOME RULE MUNICIPALITIES;

(F) STREAMLINING AND POSSIBLY MAKING UNIFORM THE STATE AND LOCAL SALES TAX EXEMPTIONS FOR MEDICAL DEVICES, INCLUDING REVIEWING BEST PRACTICES AMONG STATES IN THIS AREA;

(G) SIMPLIFYING THE PROCESS BY WHICH STATE AND LOCAL SALES AND USE TAXES ARE COLLECTED FOR THE PURCHASE OF A MOTOR VEHICLE;

(H) SIMPLIFYING THE ISSUANCE OF LOCAL BUILDING PERMITS AND THE LEVYING OF USE TAX ON BUILDING MATERIALS AND ON MOBILE AND SMALL MOBILE CONSTRUCTION EQUIPMENT;

(I) SIMPLIFYING THE PROCESS TO CLAIM AND ADMINISTER THE VARIOUS STATE SALES AND USE TAX EXEMPTIONS; AND

(J) SIMPLIFYING THE SALES TAX COLLECTION AND REMITTANCE REQUIREMENTS FOR NONPROFIT ORGANIZATIONS.

(III) THE TASK FORCE SHALL:

(A) SEEK REGULAR UPDATES FROM THE OFFICE OF INFORMATION TECHNOLOGY AND THE DEPARTMENT OF REVENUE REGARDING THE DEVELOPMENT OF THE ELECTRONIC SALES AND USE TAX SIMPLIFICATION SYSTEM DESCRIBED IN SENATE BILL 19-006, ENACTED IN 2019;

(B) ONCE THE ELECTRONIC SALES AND USE TAX SIMPLIFICATION SYSTEM DESCRIBED IN SENATE BILL 19-006, ENACTED IN 2019, IS ONLINE, MONITOR AND

ENCOURAGE PARTICIPATION BY BUSINESSES AND HOME RULE MUNICIPALITIES;

(C) SEEK REGULAR UPDATES FROM THE OFFICE OF INFORMATION TECHNOLOGY AND THE DEPARTMENT OF REVENUE REGARDING THE PURCHASE AND DEVELOPMENT OF A GEOGRAPHIC INFORMATION SYSTEM (GIS) DATABASE TO MAINTAIN JURISDICTIONAL BOUNDARIES OF SALES TAX DISTRICTS AND TO CALCULATE APPROPRIATE SALES AND USE TAX RATES FOR INDIVIDUAL ADDRESSES FOR WHICH THE DEPARTMENT OF REVENUE RECEIVED AN APPROPRIATION IN SENATE BILL 19-006, ENACTED IN 2019;

(D) REVIEW THE WAY IN WHICH SPECIAL DISTRICTS AND SPECIALLY ASSESSED SALES TAXES ADD TO THE COMPLEXITY OF THE STATE'S SALES AND USE TAX STRUCTURE, INCLUDING, AT MINIMUM, THE REGIONAL TRANSPORTATION DISTRICT, THE SCIENTIFIC AND CULTURAL FACILITIES DISTRICT, ANY LOCAL IMPROVEMENT DISTRICTS, ANY REGIONAL TRANSPORTATION AUTHORITY, ANY MULTI-JURISDICTIONAL HOUSING AUTHORITY, AND ANY HEALTH SERVICES DISTRICT, AND ANY MASS TRANSPORTATION SYSTEM TAX, PUBLIC SAFETY IMPROVEMENT TAX, METROPOLITAN DISTRICT TAX, LOCAL MARKETING DISTRICT TAX, AND COUNTY LODGING DISTRICT TAX;

(E) REVIEW AND COMPARE THE STATE'S SALES AND USE TAX DEFINITIONS WITH THE STANDARD SALES TAX DEFINITIONS DEVELOPED AND ADOPTED BY LOCAL TAXING JURISDICTIONS PURSUANT TO SENATE JOINT RESOLUTION 14-038, ENACTED IN 2014, TO DETERMINE IF ANY SIMPLIFICATION MIGHT BE ACHIEVED BETWEEN THE TWO SETS OF DEFINITIONS;

(F) EXAMINE THE EFFECTS OF THE CHANGES TO THE VENDOR FEE IMPLEMENTED PURSUANT TO HOUSE BILL 19-1245, ENACTED IN 2019;

(G) REVIEW ANY EVALUATIONS OF SALES AND USE TAX EXPENDITURES PREPARED BY THE OFFICE OF THE STATE AUDITOR THAT ARE COMPLETED PURSUANT TO SECTION 39-21-305, UNLESS A TAX COMMISSION, LEGISLATIVE INTERIM STUDY COMMITTEE, OR OTHER TYPE OF LEGISLATIVE COMMITTEE, TASK FORCE, OR STUDY GROUP IS FORMED TO REVIEW SUCH EVALUATIONS. IF A TAX COMMISSION, LEGISLATIVE INTERIM STUDY COMMITTEE, OR OTHER TYPE OF LEGISLATIVE COMMITTEE, TASK FORCE, OR STUDY GROUP IS FORMED TO REVIEW SUCH EVALUATIONS, THE TASK FORCE SHALL SEEK REGULAR UPDATES FROM SUCH COMMISSION OR COMMITTEE REGARDING ANY DECISIONS THAT SUCH COMMISSION OR COMMITTEE MIGHT MAKE RELATED TO ANY SALES OR USE TAX EXPENDITURE EVALUATED BY THE OFFICE OF THE STATE AUDITOR.

(H) EXPLORE OPTIONS FOR ELIMINATING A DEPARTMENT OF REVENUE REQUIREMENT FOR TAXPAYERS TO USE BRANCH ID REPORTING;

(I) DETERMINE WHETHER THE STATE SHOULD ADOPT A SALES TAX EXEMPTION FOR AN ISOLATED OR OCCASIONAL SALE OF A BUSINESS IN AN ASSET SALE;

(J) REGULARLY REVIEW THE BUSINESS IMPACT OF THE DESTINATION SOURCING RULES SET FORTH IN SECTION 39-26-104 (3), INCLUDING THE THRESHOLDS THAT TRIGGER THE REQUIREMENT FOR DESTINATION SOURCING; AND

(K) ANALYZE OR REVIEW ANY OTHER RELEVANT TOPIC RELATED TO THE SIMPLIFICATION OF SALES AND USE TAX ADMINISTRATION IN THE STATE.

(2.5) (a) ALL APPOINTMENTS DESCRIBED IN SUBSECTION (2) OF THIS SECTION MUST BE MADE NO LATER THAN JUNE 1, 2021, AND EACH JUNE 1 THEREAFTER. MEMBERS OF THE TASK FORCE SERVE AT THE PLEASURE OF THE APPLICABLE APPOINTING AUTHORITY OR UNTIL THE MEMBER NO LONGER SERVES IN THE POSITION FOR WHICH HE OR SHE WAS APPOINTED TO THE TASK FORCE, AT WHICH TIME A VACANCY IS DEEMED TO EXIST ON THE TASK FORCE. IF A VACANCY ARISES ON THE TASK FORCE, THE APPROPRIATE APPOINTING AUTHORITY SHALL APPOINT A REPLACEMENT MEMBER THAT MEETS THE REQUIREMENTS SET FORTH IN SUBSECTION (2) OF THIS SECTION FOR THE VACANT POSITION.

(b) STARTING IN 2021, THE TASK FORCE SHALL ELECT A CHAIR AND A VICE-CHAIR AT THE FIRST MEETING HELD ON OR BEFORE JULY 16, 2021. THE CHAIR AND VICE-CHAIR APPOINTMENTS MUST ALTERNATE BETWEEN A MEMBER FROM THE HOUSE OF REPRESENTATIVES AND A MEMBER FROM THE SENATE WITH THE FIRST CHAIR BEING FROM THE SENATE AND THE FIRST VICE-CHAIR BEING FROM THE HOUSE OF REPRESENTATIVES. THE PERSON SERVING AS CHAIR, OR A MEMBER OF THE SAME HOUSE IF SUCH PERSON IS NO LONGER A MEMBER THEREOF, SHALL SERVE AS VICE-CHAIR DURING THE NEXT LEGISLATIVE SESSION, AND THE PERSON SERVING AS VICE-CHAIR, OR A MEMBER OF THE SAME HOUSE IF SUCH PERSON IS NO LONGER A MEMBER THEREOF, SHALL SERVE AS CHAIR DURING THE NEXT LEGISLATIVE SESSION.

(3) STARTING IN 2021, the task force shall meet at least eight times, with the first meeting occurring no later than ~~July 12, 2017~~ JULY 16, 2021. Task force meetings shall be open to the public and the task force shall solicit the testimony of the members of the public.

(5) No later than ~~November 1, 2017~~ NOVEMBER 1, 2021, and no later than each November 1 thereafter, the task force shall make a report to the legislative council created in section 2-3-301 that may or may not include recommendations for legislation.

SECTION 2. In Colorado Revised Statutes, **amend** 39-26-804 as follows:

39-26-804. Repeal of task force. This part 8 is repealed, effective ~~July 1, 2020~~. Before its repeal, this part 8 is scheduled for review in accordance with section ~~2-3-1201~~ JULY 1, 2026.

SECTION 3. In Colorado Revised Statutes, 2-3-1203, **repeal** (10)(a)(III) as follows:

2-3-1203. Sunset review of advisory committees - legislative declaration - definition - repeal. (10) (a) The following statutory authorizations for the designated advisory committees will repeal on July 1, 2020:

(III) ~~The sales and use tax simplification task force created in section 39-26-802.~~

SECTION 4. In Colorado Revised Statutes, 2-3-1704, **add** (12) as follows:

2-3-1704. Powers and duties of the joint technology committee.

(12) BETWEEN ADJOURNMENT SINE DIE OF THE SECOND REGULAR SESSION OF THE SEVENTY-SECOND GENERAL ASSEMBLY AND THE FIRST MEETING IN 2021 OF THE SALES AND USE TAX SIMPLIFICATION TASK FORCE CREATED IN SECTION 39-26-802, THE COMMITTEE SHALL:

(a) SEEK REGULAR UPDATES FROM THE OFFICE OF INFORMATION TECHNOLOGY AND THE DEPARTMENT OF REVENUE REGARDING THE DEVELOPMENT OF THE ELECTRONIC SALES AND USE TAX SIMPLIFICATION SYSTEM DESCRIBED IN SENATE BILL 19-006, ENACTED IN 2019;

(b) ONCE THE ELECTRONIC SALES AND USE TAX SIMPLIFICATION SYSTEM DESCRIBED IN SENATE BILL 19-006, ENACTED IN 2019, IS ONLINE, MONITOR AND ENCOURAGE PARTICIPATION BY BUSINESSES AND HOME RULE MUNICIPALITIES; AND

(c) SEEK REGULAR UPDATES FROM THE OFFICE OF INFORMATION TECHNOLOGY AND THE DEPARTMENT OF REVENUE REGARDING THE PURCHASE AND DEVELOPMENT OF A GEOGRAPHIC INFORMATION SYSTEM (GIS) DATABASE TO MAINTAIN JURISDICTIONAL BOUNDARIES OF SALES TAX DISTRICTS AND TO CALCULATE APPROPRIATE SALES AND USE TAX RATES FOR INDIVIDUAL ADDRESSES FOR WHICH THE DEPARTMENT OF REVENUE RECEIVED AN APPROPRIATION IN SENATE BILL 19-006, ENACTED IN 2019.

SECTION 5. Safety clause. The general assembly hereby finds, determines, and declares that this act is necessary for the immediate preservation of the public peace, health, or safety.

Approved: June 29, 2020